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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES, Chairman
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ARIZONA CORPORATION COMMISSION
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IN THE MATTER OF THE APPLICATION OF
TRICO ELECTRIC COOPERATIVE, INC., AN
ARIZONA NONPROFIT CORPORATION,
FOR A PERMANENT RATE INCREASE, FOR
A DETERMINATION OF THE FAIR VALUE
OF THE CORPORATION'S ELECTRIC
SYSTEM FOR RATEMAKING PURPOSES,
FOR A FINDING OF A JUST AND
REASONABLE RATE OF RETURN
THEREON, AND FOR APPROVAL OF RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN.

DOCKET NO. E-01461A-08-0430

**STAFF'S NOTICE OF FILING
WITNESS SUMMARIES**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Witness Summaries
of the Testimony of Steve Irvine and Crystal Brown of the Utilities Division in the above-referenced
matter.

RESPECTFULLY SUBMITTED this 19th day of May, 2009.

Arizona Corporation Commission

DOCKETED

MAY 19 2009

DOCKETED BY

Nancy Scott

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Original and thirteen (13) copies
of the foregoing filed this
19th day of May, 2009 with:

Docket Control
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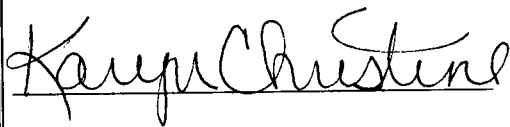
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Summary of Pre-filed Testimony for Staff Witness Steve Irvine

Direct Testimony filed on March 31, 2009

Having examined relevant portions of Trico Electric Cooperative, Inc.'s ("Trico" or "Cooperative") rate case filing, Mr. Irvine's testimony covers rate design aspects of the case and reporting of overall changes compared to Trico's current rates. The changes and various rate design issues are summarized below:

Normalization and Annualization

Staff prepared Schedules SPI-1 to demonstrate that total system revenues from sales in the amount of \$80,041,110 (CSB-9) will be collected through Trico normalized Staff adjusted billing determinants and the rates proposed by Staff.

Time-Of-Use ("TOU") Residential Rates

Trico recommends changes to Residential TOU rates that will provide an appropriate price signal to move customers off its coincident peak, cover the cost of service and provide an appropriate return. Trico's proposed changes include modification of both daily on-peak hours and days. Notable among its recommendations are Trico's proposals to include weekend on-peak hours and to implement a three-stage phase-in period for rates applicable to Residential TOU customers. Staff supports implementing TOU rates that send appropriate price signals and also provide appropriate returns. However, Staff does not support implementing a phase-in process or the introduction of on-peak weekend hours. Staff's recommendations are discussed in detail in the Rate Design section of this testimony.

Interruptible Service Terms and Conditions

Staff supports interruptible rates because they help reduce current power supply costs that are eventually passed on to ratepayers, and such rates also offer the opportunity for the Cooperative to plan for less purchased power than would otherwise have to be purchased. Also, participating rate payers benefit by receiving reduced monthly rates in exchange for accepting service under an interruptible rate schedule. The success of interruptible rates depends on a strongly worded consequence for customer-initiated overrides. Trico proposes to continue an override penalty demand cost in the amount of \$29.50 per kW, per month. Staff supports this rate as being sufficiently stringent to discourage customer-initiated overrides. Staff is concerned that the condition is not worded as a mandatory removal from the Schedule for at least 18 months in cases when more than two customer-initiated overrides are implemented during a calendar year.

Surrebuttal Testimony filed on May 15, 2009

Staff does not recommend assigning on-peak hours to weekends for residential TOU rates.

Staff recommends the level of the monthly customer service charges identified previously in direct testimony Schedule SPI 2.1.

Staff continues to recommend the proposed terms and conditions wording change under Schedules IS-1 (Commercial and Industrial) and IS-2 (Irrigation and Pumping) from "may" to "shall" to mandate enforcing the removal of a customer from an interruptible schedule for at least 18 months in cases where more than two customer-initiated overrides occur within any 12-month period (rather than two overrides occurring during a calendar year).

Staff continues to recommend the rate design recommended in Staff's direct testimony Schedule SP12.1.

Summary of Pre-filed Testimony for Staff Witness Crystal Brown

Direct Testimony filed on February 27, 2009

Trico Electric Cooperative, Inc. ("Trico" or "Cooperative") is a certificated Arizona-based nonprofit rural electric distribution cooperative. Trico provides power and energy to approximately 38,000 customers in portions of Pima, Pinal, and Santa Cruz counties in Arizona.

The Cooperative proposes total annual revenue of \$80,793,749 as shown on Schedule CSB-1.

This proposed revenue provides a \$6,542,728, or 8.81 percent, revenue increase over adjusted test year revenue of \$74,251,021. Operating revenue of \$80,793,749 would produce an operating margin of \$11,761,982 for a 7.61 percent rate of return on an original cost rate base of \$154,546,824 and produces a 1.68 operating times interest earned ratio ("TIER") and a 2.06 debt service coverage ("DSC").

Staff recommends total annual revenue of \$81,521,496 as shown on Schedule CSB-1. This proposed revenue provides a \$6,043,717, or 8.01 percent, revenue increase over Staff adjusted test year revenue of \$75,477,779. Operating revenue of \$81,521,496 would produce an operating margin of \$12,370,271 for an 8.80 percent rate of return on a Staff adjusted original cost rate base of \$140,628,110 and produces a 1.83 operating TIER and a 1.93 debt service coverage ("DSC").